



*Utah State Tax Commission*

# **Corporation Franchise or Income Tax Return and Instructions**

## **Form TC-20**

**1999**

210 N 1950 W  
SLC UT 84134  
(801)297-2200  
1-800-662-4335  
<http://www.tax.ex.state.ut.us>

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## What's New?

### Research Tax Credit

A research tax credit is available to corporations for research activities and for equipment used in the state for taxable years beginning on or after January 1, 1999 in accordance with Utah Code 59-7-612 and 59-7-613. This credit is closely aligned with the definitions and provisions of the federal research tax credit under I.R.C. Section 41. *Although a taxpayer qualifies for the Research Tax Credit in taxable year 1999, they cannot claim this credit on this 1999 return. The credit can be claimed on the taxable year 2000 return.*

### Important Information Regarding Extension of Time to File

An extension of time to file your tax return is **NOT an extension of time to pay your taxes**. You must pay your tax due by the due date. You are automatically allowed an extension of up to six months to file your return. However, if the prepayment requirements have not been met on or before the original due date, penalties will be assessed.

If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at (801) 297-3811 or Telecommunications Device for the Deaf (TDD) (801) 297-3819. Please allow three working days for a response.

**Need more information?** You can find additional tax information and forms on the Tax Commission's web page, at: <http://www.tax.ex.state.ut.us>

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# General Instructions and Information

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## Corporation Identification Numbers

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The Utah State Tax Commission will use the Employer Identification Number (EIN) as the corporation's taxpayer identification with the state. The Utah Charter Number is a six-digit number issued upon incorporation or qualification to do business in Utah and should also be included. Make sure you provide your EIN and Utah Charter Number for proper identification of the corporate tax return or any correspondence.

## Rounding Off to Whole-Dollar Amounts

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All entries must be reported in whole-dollar amounts.

## Liability for Filing and Paying Returns

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### Tax Forms

The Utah State Tax Commission supplies returns for filing of corporate taxes to corporations properly registered with the state. If an original return is not mailed to the corporation, contact our offices at (801) 297-6700 to request forms. NOTE: Please review "Supporting Federal Information," later in these general instructions to identify what federal information is required with the Utah filing.

### Franchise Tax

Every corporation incorporated in Utah (domestic), qualified in Utah (foreign), or doing business in Utah, whether qualified or not, must file a corporate franchise tax return. Returns should be filed on form TC-20. There is a minimum tax (privilege tax) of \$100 on every corporation regardless of whether the corporation exercises its right to do business.

### Small Business Corporation

Every small business corporation (as defined in IRC 1361(a)) that has filed a proper and timely election under 1362(a) shall file form TC-20S so long as the federal election remains in effect. Small business corporation franchise or income tax return, schedules, and general instructions are printed separately from this booklet.

### Income Tax

The only corporations required to file under the income tax provisions are those that derive income from Utah sources, but that are not qualified to do business in Utah and have no regular and established place of business in this state, either owned or rented, and that do not maintain an inventory or have employees located at a place of business in Utah. For example: A foreign corporation with goods maintained in Utah in a public warehouse, or a

trucking company operated in or through Utah by a foreign corporation not qualified for the privilege of doing business in Utah, is subject to the income rather than franchise tax. Corporate income tax filers use form TC-20. A \$100 minimum tax applies to the corporate income tax.

## Taxable Year

The taxable year for Utah corporation franchise or income tax purposes should match the taxable year used for federal income tax purposes. When the taxable year changes for federal purposes, the taxable year should be adjusted accordingly for Utah corporation franchise or income tax purposes. Refer to "Filing Return Where Period Changed," below. If the taxable year is not a calendar year, enter the beginning and ending dates of the taxable year at the top of form TC-20 where indicated.

## Filing Return Where Period Changed

When changes are made to the taxable year, as indicated in "Taxable Year," above, a short period return is required. The short period return shall cover the period of less than 12 months between the prior taxable year end and the new taxable year end. The tax rates as provided in Utah Code Sections 59-7-104 and 59-7-201 apply to short period returns, which includes a minimum tax of \$100.

## Due Date

Returns shall be filed on or before the 15th day of the fourth month following the close of the taxable year.

## Filing Extension

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**An extension of time to file your tax return is NOT an extension of time to pay your taxes.** You are automatically allowed an extension of up to six months to file your return. ***However, if the extension prepayment requirements (below) have not been met on or before the original due date, penalties will be assessed.***

## Prepayment Requirements

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### Filing Extensions

The required extension prepayment must equal 90 percent of the tax due for the current year's tax liability (or the \$100 minimum tax, whichever is greater) or 100 percent of the previous year's tax liability. *Typically, corporations that make estimated prepayments using the form TC-559, payment coupon book, will have complied with the 90 percent requirement and may not need to make additional prepayments to avoid extension penalties.*

### Quarterly Payments

Every corporation having a Utah tax liability of \$3,000 or more in the current year, or a tax liability of \$3,000 or more in the previous year, must make quarterly estimated tax prepayments. In addition,

parent companies filing combined reports with affiliated companies must make the quarterly prepayment when the aggregate amount is \$3,000 or more for all companies listed on Schedule M, including those paying only the minimum tax.

A corporation is not subject to the prepayment requirements for the first year the corporation is required to file a return in Utah if the corporation makes a payment on or before the due date, without the automatic extension, equal to or greater than the minimum tax.

Quarterly prepayments are due in four equal payments on the 15th day of the 4th, 6th, 9th and 12th months of the corporation's taxable year. Corporations may elect to make the quarterly prepayments equal to 90 percent of the current year's tax or 100 percent of the prior year's tax. As defined in Section 6655, Internal Revenue Code, the applicable percentage of the required annual payment for annualized income installments, for adjusted seasonal installments, and for estimated tax payments based on the current year tax liability is the following:

<u>Installment</u>	<u>Percentage</u>
1st	22.5
2nd	45.0
3rd	67.5
4th	90.0

If a taxpayer elects a different annualization period than the period used for federal purposes, the taxpayer must make an election with the Tax Commission at the same time as provided in Section 6655, Internal Revenue Code. Prepayments should be made with form TC-559, Corporation Tax Payment Coupon Booklet.

## Penalties

The penalty for **failure to file a tax due return** by the due date is the greater of \$20 or 10 percent of the unpaid tax. In addition, if a tax balance remains unpaid 90 days after the due date, a second penalty, the greater of \$20 or 10 percent of the tax balance, will be added for failure to file timely.

The penalty for **failure to pay tax due** as reported on a timely filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or 10 percent of the tax due.

The penalty for each underpayment of extension prepayment is 2 percent per month of the unpaid tax during the extension period.

Penalty for failure to file an information return or complete supporting schedule is \$50 for each return or schedule to a maximum of \$1,000.

The penalty for each underpayment of required estimated tax or required quarterly installments shall be determined by applying the state interest rate(s) in effect for the period of the underpayment, plus

four percentage points, to the amount of the underpayment for the period of the underpayment.

For a list of additional penalties that may be imposed, please refer to Utah Code Ann. Section 59-1-401.

## Exceptions to Penalty

### Annualized Exception

A corporation may annualize its income before determining the amount of each installment. It is recommended that federal guidelines be followed in determining annualized income. If the corporation meets the annualized exception at the federal level, for any installment, indicate by checking the appropriate box on form TC-20, Schedule A line 25.

### Recurring Seasonal Exception

A corporation with recurring seasonal income may annualize its income before determining the amount of each installment. It is recommended that federal guidelines be followed in determining seasonal income. If the corporation meets the seasonal exception at the federal level, for any installment, indicate by checking the appropriate box(es) on form TC-20, Schedule A line 25.

### Prepayment of minimum tax

Corporations that met the prepayment requirement in the **current** year and that had a tax liability of \$100 (the minimum tax) for the previous year, may choose to prepay the minimum tax amount of \$100 on the 15th day of the 12th month instead of four increments of \$25.

Corporations that met the prepayment requirement in the **previous** year and have a tax liability of \$100 (the minimum tax) in the current year, may choose to prepay the minimum tax amount of \$100 on the 15th day of 12th month instead of four increments of \$25. In this scenario, the corporation must pay \$100, not 90 percent.

The Tax Commission will calculate the penalty for underpayment of required prepayments. Taxpayers who would like to calculate their own penalty may contact the Tax Commission at (801) 297-7790 for assistance.

## Interest

The calendar year interest rate applicable for all taxes and fees administered by the Tax Commission is two percentage points above the federal short-term rate in effect for the preceding fourth calendar quarter. This rate is published by the Internal Revenue Service in September of each year.

The interest rate for all taxes and fees administered by the Tax Commission for the 2000 calendar year is 7 percent.

## Supporting Federal Information

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Federal form 1120, pages 1-4 **as filed with the IRS** should be included with the filing of the Utah return (Form TC-20). Other detail schedules should NOT be included with the initial Utah filing. These detail schedules may be requested at a later date by the Auditing Division of the Tax Commission.

## Corporation Changes

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Corporation changes (e.g., name change, merger, or ceasing to do business in Utah) must be reported to both the Division of Corporations, Department of Commerce, 160 E 300 S, SLC, UT 84145 and the Tax Commission, Attention: Master File Maintenance, 210 N 1950 W, SLC, UT 84134.

## Suspension for Failure to File or Pay Tax Due

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Utah law provides for suspension of the corporation's right to do business in Utah if the corporation fails to file and/or pay taxes due before 5 p.m. on the last day of the eleventh month after the due date.

## Combined Reports

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Any corporation owned by another corporation, or owning more than 50 percent of another corporation, or a group of corporations related through common ownership (i.e., certain brother/sister corporations) and engaged in unitary business activity, must file a combined report, including the combined income of all such corporations.

### Unitary Business

A unitary business exists if the activities of the corporations (subsidiary or affiliated corporations related through common ownership) are economically interdependent as demonstrated by the following factors:

- ◆ strong centralized management;
- ◆ functional integration;
- ◆ attainment of operational economies of scale.

### Water's Edge Combined Report

A unitary group is required to file on a water's edge basis unless the worldwide combination method has been elected. A water's edge combined report includes the income and activities of all members of a unitary group that are:

- ◆ corporations organized or incorporated in the United States, including those corporations qualifying for the Puerto Rico and Possession Tax Credit as provided in Section 936, Internal Revenue Code, and;
- ◆ corporations organized or incorporated outside of the United States meeting the threshold level of business activity.

## Water's Edge Election

A group of corporations that are not otherwise a unitary group may elect to file a water's edge combined report under Utah Code Section 59-7-402(2) if each member of the group is:

- ◆ doing business in Utah;
- ◆ part of the same affiliated group, and;
- ◆ qualified under IRC Section 1501 to file a federal consolidated return.

Each corporation within the affiliated group that is doing business in Utah must consent to filing a combined report. If an affiliated group elects to file a combined report, each corporation within the affiliated group that is doing business in Utah must file a combined report.

Corporations that elect to file a water's edge combined report under this section may not thereafter elect to file a separate return without the consent of the Tax Commission.

## Worldwide

A unitary group may elect to file a worldwide combined report. When the worldwide combined reporting method is elected, the income/loss of each corporation within the unitary group must be included regardless of the country in which the corporations are incorporated or conduct business.

Corporations electing to file a worldwide combined report may not thereafter elect to file a return on a basis other than a worldwide combined report without the consent of the Tax Commission.

### Threshold Level of Business Activity

Foreign corporations that conduct 20 percent or more of their business activity in the United States, as measured by the average of the property and payroll factors, shall be included 100 percent in a water's edge combined report. Of course, any business activity in Utah will subject a foreign corporation to the Utah franchise tax. The threshold test for purposes of combined reporting determines whether the foreign corporation is a member of a unitary group.

### Foreign Dividends

Fifty percent of unitary foreign dividends are included in adjusted income. The remaining 50 percent, less expenses, are excluded. Refer to Utah Code Ann. Section 59-7-106(11)(a). Adjustment to the denominators of the apportionment fraction for each dividend paying company is provided at the ratio that the included dividend bears to the total earnings and profits for dividend paying companies.

### Preparation of Combined Report(s)

A group filing a combined report shall calculate adjusted income of the combined group by:

1. Determining which corporations are unitary;
2. Computing unadjusted income on a separate return basis;
3. Combining income or loss of the members included in the combined report;
4. Making appropriate eliminations and adjustments between members included in the combined report to arrive at unadjusted income on a combined basis;
5. Making additions and deductions to unadjusted income as outlined in Schedules B, C, and D in order to arrive at adjusted income.

A unitary group of corporations is considered a single taxpayer for purposes of the assignment of sales in the sales factor of the apportionment fraction. Therefore, sales of tangible personal property by any member of the unitary group that are delivered or shipped into Utah are includable in the Utah sales numerator. Conversely, such sales originating in Utah which are delivered or shipped to another state will not be thrown back to the Utah sales numerator if any member of the unitary group has a taxable presence (nexus) in that state. Refer to Tax Commission Rule R865-6F-24.

### **IRC §§338, 338(h)(10), and 336(e)**

An election made or considered to be made under IRC §§338, 338(h)(10), and 336(e) for years beginning on or after January 1, 1994, is also followed for Utah purposes.

#### **Section 338**

If a federal election is made, the target corporation shall file a separate entity one-day tax return for Utah purposes, as is required for federal purposes, and shall include in that return the gain or loss on the deemed sale of assets in its adjusted income. Form TC-20 (338), One-day Corporation Tax Return for Target Corporation, for corporations that made an election under IRC §338, is available upon request.

#### **Section 338(h)(10)**

If an election is made for federal purposes under Subsection 338(h)(10), Internal Revenue Code, the following shall apply:

1. If the target corporation is a member of a unitary group immediately preceding the acquisition date, the target corporation shall be included in a combined report to the extent of its income through the acquisition date, and the gain or loss on the deemed sale of assets shall be included in the combined income of the unitary group.
2. If the target corporation is not a member of a unitary group immediately preceding the acquisition date, the target corporation shall file a short period return for the period ending on the

acquisition date and shall include in that return the gain or loss on the deemed sale of assets in its adjusted income.

3. Any gain or loss which is not recognized for federal purposes on stock sold or exchanged by a member of a selling consolidated group as defined in Section 338, Internal Revenue Code, may not be included in the adjusted income of the selling corporation.
4. The target corporation shall be treated as a new corporation as of the day after the acquisition date.

#### **Section 336(e)**

If an election is made under Section 336(e), Internal Revenue Code, the following shall apply:

1. If the corporation is treated for federal purposes as having disposed of all of its assets and is a member of a unitary group immediately preceding the date of sale, the corporation shall be included in a combined return to the extent of its income through the date of sale, and the gain or loss on the deemed disposal of assets shall be included in the combined income of the unitary group.
2. If the corporation is treated for federal purposes as having disposed of all of its assets and is not a member of a unitary group immediately preceding the date of sale, the corporation shall file a short period return for the period ending on the date of sale and shall include in that return the gain or loss on the deemed disposal of assets in its adjusted income.
3. Any gain or loss that is not recognized for federal purposes on stock sold, exchanged, or distributed by a corporation pursuant to Section 336(e), Internal Revenue Code, may not be included in adjusted income.
4. The new basis of assets of the corporation treated as having disposed of its assets shall be the same as determined for federal purposes.
5. The corporation that is treated as having disposed of its assets shall be treated as a new corporation as of the day after the date of sale.

#### **Installment Sales**

If a corporation is no longer required to file a Utah corporate return, any taxes owed by that corporation on installment sales entered into by that corporation shall accelerate and be due on the corporation's last return filed in Utah.

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# Instructions for Return

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## Corporation Name and Address

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Enter the corporation name, address, and telephone number. Check the box provided if there has been a change to this information since last year's filing.

## EIN and Utah Charter Number

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Enter the Employer Identification Number (EIN) and Utah Charter Number in the appropriate fields.

## Amended Returns for 1999

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***An amended state return for 1999 should be filed promptly once you discover:***

1. an error on your state or federal return after it has been filed; or
2. your federal return is audited or adjusted by the IRS and the IRS audit or adjustment affects your state return. You must report such changes or corrected net income within 90 days of the IRS's final determination.

If you need to amend a return for a tax year other than 1999, please use the tax form and instructions for the year you are amending.

Do not submit an amended return for the purpose of claiming a loss carryback refund. This is automatically calculated by the Tax Commission. Any refund will be mailed to the corporation.

To qualify for a refund or credit, an amended return must be filed within three years following the date the original return was filed. A return filed before the due date is considered filed on the due date.

To amend a previously filed 1999 state tax return:

1. check the amended box located at the top of the return; and
2. indicate the reason for amending, by writing the number in the box provided on the return.

## Reasons for Amending

1. you filed an amended return with the Internal Revenue Service (*you must attach a copy of your amended federal return*);
2. you made an error on your state return (*attach an explanation of the adjustments made*);
3. federal audit adjustments which resulted in changes in federal taxable income were issued and became final (*attach a copy of the IRS adjustment*);
4. other (*please attach explanation to return*).

Complete the return entering the figures as corrected.

When filing an amended return, enter the amount of tax paid with the original return and/or subsequent payments of the tax prior to filing this amended return less any previous refunds (exclude refund

interest). See instructions for line 19 of Schedule A.

**Remember**, except for the amounts you amend, the amounts you place on the return must match your original return.

### Line 1

Check the box on line 1 if this corporation conducted business in Utah during the taxable year.

### Line 2

Check the box on line 2 if the federal form 1120 for the same tax period was a consolidated return.

### Line 3

Select and check the appropriate box to indicate whether the return is a "water's edge" combined report, or a "water's edge" election made under Utah Code §59-7-402(2), or a "worldwide" combined report. See "Combined Reports" in the general instructions for information on the proper filing method.

### Line 4

Select and check the appropriate box(es) if an election has been made under IRC Sections 338, 338(h)(10), or 336(e). See General Instructions, on page 4, for information regarding these elections.

### Line 5

Check the box on line 5 if this corporation is or includes a financial institution as defined in Utah Administrative Rule R865-6F-32.

### Line 6

Indicate the ultimate U.S. parent corporation's name.

### Line 7

Indicate the ultimate U.S. parent corporation's employer identification number.

### Line 8

**Refund** (From Schedule A, line 23)

### Line 9

**Tax Due** (From Schedule A, line 24)

### Line 10

Enter any applicable penalty and interest amounts on the appropriate lines. Enter the total amount on this line. The Tax Commission will calculate the penalty for underpayment of required prepayments. Taxpayers who would like to calculate their own penalty may contact the Tax Commission at (801) 297-7790 for assistance.

### Line 11

**Total Refund** (subtract line 10 from line 8).

*Signature and date lines are required for declaration of the return's accuracy. Refunds will not be granted on returns without signatures and dates.*

The section titled "Supplemental Information To Be Supplied By All Corporations" on page 2 of form TC-20 must be completed by all corporations.

### Line 12

**Total Remitted** (add lines 9 and 10). *Do not mail cash. The Tax Commission assumes no liability for the loss of cash placed in the mail.*

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## Instructions for Schedule A – Utah Taxable Income and Tax Due

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### Line 1 – Unadjusted Income/Loss

Enter the federal taxable income (before net operating loss deduction and special deductions) from line 28 of federal form 1120 or line 24 of federal form 1120-A.

### Line 2 – Additions to Unadjusted Income

Bring forward total additions from Schedule B, line 16.

### Line 3 – Subtractions from Unadjusted Income

Bring forward total subtractions from Schedule C, line 14.

### Line 4 – Adjusted Income

Add line 1 and line 2, subtract line 3.

### Line 5 – Nonbusiness Income Net of Related Expenses

Add line 5a and line 5b.

5a. Nonbusiness income allocated to Utah - Schedule H, line 13.

5b. Nonbusiness income allocated outside Utah - Schedule H, line 26.

### Line 6 – Apportionable Income Before Contributions Deduction

Subtract line 5 from line 4.

### Line 7 – Utah Contributions

Enter amount from Schedule D, line 7.

### Line 8 – Apportionable Income

Subtract line 7 from line 6.

### Line 9 – Apportionment Fraction

100 percent or bring fraction from Schedule J, line 7.

### Line 10 – Apportioned Income

Multiply line 8 by fraction on line 9.

### Line 11 – Nonbusiness Income Allocated to Utah

Enter the amount reported on line 5a above.

### Line 12 – Utah Taxable Income/Loss

Add lines 10 and 11. If Utah taxable income on line 12 is a loss, the corporation has an option of: 1) carrying the loss back (subject to the \$1,000,000 limitation), or 2) foregoing the loss carryback and carrying the loss forward.

If an election is made to forego the federal net operating loss carryback, a similar election is considered to be made for Utah tax purposes unless the taxpayer makes a specific election to carry back the loss for Utah purposes. Indicate in the appropriate box whether you elect to forego the Utah net loss carryback.

If no election is made to forego the loss carryback, the Utah net loss will be carried back to the earliest

of the three preceding tax years; if not entirely used to offset income of that year, it will be carried to the second year preceding the loss year; and any remaining loss is next carried to the taxable year immediately preceding the loss year. Any remaining loss should be carried forward.

A refund resulting from the carryback of a Utah net loss will be automatically sent to you. *Schedule L is obsolete.*

### Line 13 – Utah Net Loss Carried Forward From Prior Years

Losses incurred in years beginning prior to January 1, 1994, which remain after all carrybacks have been applied, may be carried forward for five taxable years following the taxable year of the loss.

Losses incurred in years beginning on or after January 1, 1994, which remain after all carrybacks have been applied, may be carried forward for fifteen taxable years following the taxable year of the loss.

Attach documentation to the return to support the loss amounts carried forward on Schedule A, line 13.

### Line 14 – Net Taxable Income

Subtract line 13 from line 12.

### Line 15 – Calculation of Tax

Add lines 15a and 15b.

#### Line 15(a)

Multiply line 14 by .05, or enter \$100 minimum tax due for each corporation listed on Schedule M, whichever is greater.

#### Line 15(b)

Generally, interest must be paid on the deferred tax related to installment sales if the contract was entered into on or after January 1, 1994.

The rate of interest applicable shall be determined pursuant to Section 453A, Internal Revenue Code. Enter the interest as an additional tax on Schedule A, line 15b.

The deferred tax liability for Utah purposes shall be calculated in a manner similar to that outlined in IRC Section 453(A)(c) except,

1. The tax rate applied shall be five percent; and
2. In the case of multistate corporations, the amount of Utah gain which has not been recognized shall be determined by multiplying the deferred gain which has not been recognized for federal purposes by the current year apportionment fraction.

### Line 16 – Nonrefundable Credits

Add lines 16a through 16l.

#### 16a – Qualified Sheltered Workshop Cash Contribution Credit (Utah Code Ann. Section 59-7-602)

*There is no form for this credit. Make sure you keep any documentation to support this credit.*



**Cash** contributions made within the tax year to a nonprofit rehabilitation sheltered workshop facility for the handicapped operating in Utah and certified by the Department of Human Services as a qualifying facility, are eligible for a credit against Utah income taxes. **Check with the workshop to make sure they are a qualified sheltered workshop.** The credit is equal to 50 percent of the total of cash contributions, not to exceed \$200. Contributions claimed as a tax credit under this section may not also be claimed as a charitable deduction in determining net taxable income (Utah Code 59-10-108).

**Line 16b – High Technology Equipment Contribution Tax Credit (Utah Code Ann. Section 59-7-603)**

A nonrefundable tax credit is allowed for 25 percent of the fair market value of high technology equipment contributions to public education, not to exceed the basis of the property contributed. Credit claimed here cannot be claimed as a contribution deduction under Utah Code Ann. Section 59-7-106(10).

**Line 16c – Utah Municipal, U.S. and Agency Bond Interest Tax Credit (Utah Code Ann. Section 59-7-601)**

A credit of 1 percent of Utah municipal interest and federal interest included in Utah taxable income will be allowed. For multistate corporations, the amount of Utah municipal and federal interest included in Utah taxable income is calculated by multiplying the total amount of that interest by the current year apportionment fraction. The credit is nonrefundable but may be carried back three years and forward five years. Attach a schedule showing the calculation of credit.

**16d – Enterprise Zone Credit**

There is no form for this credit. Make sure you keep any documentation to support this credit.

From **January 1, 1999 through May 2, 1999**, for businesses to qualify for the enterprise zone tax credit, at least 51 percent of the employees employed by the business located in the enterprise zone, must reside in the municipality or county that applied for enterprise zone designation. *Construction jobs and businesses engaged in retail trade or public utilities were not eligible for the tax credits in paragraphs 1- 4 below.*

**Effective May 3, 1999**, at least 51 percent of the employees employed by the business located in the enterprise zone, must reside in the county in which the enterprise zone is located. *Businesses engaged in retail trade or public utilities are not eligible for the enterprise zone tax credit. Construction jobs are not eligible for the tax credits in paragraphs 1- 4 below.*

The following state tax credits are applicable to qualifying businesses in an enterprise zone.

1. A credit of \$750 for each new full-time position filled for not less than six months during a tax year.
2. An additional \$500 tax credit if the new position pays at least 125 percent of the county average monthly nonagricultural payroll wage for the respective industry as determined by the Department of Workforce Services. If this information is not available, the job must pay at least 125 percent of the total average monthly nonagricultural payroll wage in the respective county where the enterprise is located.
3. An additional credit of \$750 may be claimed if the new position is in a business that adds value to agricultural commodities through manufacturing or processing.
4. An additional \$200 credit may be claimed for two consecutive years for each new employee who is insured under an employer-sponsored health insurance program, if the employer pays at least 50 percent of the premium cost for two consecutive years.
5. A 50 percent credit, not to exceed \$100,000, for cash contributions made to a private nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the IRS Code, whose primary purpose is community and economic development, and is accredited by the Utah Rural Development Council Board of Directors.
6. A 25 percent credit of the first \$200,000 spent on rehabilitating a building, vacant for two years, in the enterprise zone.
7. An annual investment tax credit of 10 percent of the first \$250,000 investment and 5 percent of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable property.

A business claiming a credit under paragraphs 1- 4, may claim a credit for 30 full-time employee positions or less in each of its taxable years.

A business may claim an additional credit for a full-time employee position under paragraphs 1 - 4 above if:

- a. the business creates a new full-time employee position;
- b. the total number of full-time employee positions is greater than the number of full-time employee positions previously claimed by the business under paragraph 1 - 4; and
- c. the total number of credits claimed for its current taxable year, including the new full-time employee positions being claimed as a credit, is less than or equal to 30.

If the tax credit exceeds the tax liability, the credit amount exceeding the liability may be carried for-

ward for a period that does not exceed the next three taxable years.

Indian tribes may apply for Enterprise Zone designation within an Indian reservation.

If Enterprise Zone credits are being taken based on your ownership in a partnership, you must allocate the above calculated credits based on your respective percentage of ownership.

Contact the Department of Community and Economic Development, 324 S. State St., Suite 500, SLC, UT 84111, telephone (801) 538-8782 to obtain additional information.

**Line 16e – Utah Steam Coal Tax Credit  
(Utah Code Ann. Section 59-7-604)**

For taxable years beginning on or after January 1, 1993, there is allowed, as a credit against any taxes imposed by Utah Code Ann. Section 59, Chapters 7 and 8, an amount equal to \$1 per ton for each ton of Utah steam coal sold from a permitted mine by the taxpayer to a purchaser outside of the United States in excess of the number of tons of Utah steam coal sold from a permitted mine by the taxpayer to a purchaser outside of the United States in the taxable year beginning on or after January 1, 1992, but before Dec. 31, 1992.

Unused credits may be carried forward 15 years. The credit allowed by this section is repealed effective for tax years beginning on or after January 1, 2002.

**Line 16f – Clean Fuel Vehicle Tax Credit  
(Utah Code Ann. Section 59-7-605)**

Complete and attach form TC-40V, "Clean Fuel Vehicle Tax Credit," with the Division of Air Quality approval stamp, verifying the credit has been approved.

To qualify you must have purchased new vehicles that are fueled by propane, natural gas, or electricity and registered in Utah for the first time; purchased and installed equipment to convert vehicles to be fueled by propane, natural gas, or electricity; or purchased and installed equipment to convert special fuel mobile equipment to be fueled by propane, natural gas, or electricity.

Contact the Division of Air Quality, Department of Environmental Quality, 150 N 1950 W N Temple, SLC, UT 84114-4820; telephone (801) 536-4000 to obtain form TC-40V, approval, and for additional information.

**Line 16g – Clean Fuel Alternative Tax Credit  
(Utah Code Ann. Section 59-7-606)**

Complete and attach form TC-40F, "Clean Fuel Alternative Tax Credit" with the Utah Energy Office seal, verifying the credit has been approved.

To qualify you must have purchased and installed EPA certified pellet burning stoves, high mass wood stoves, solid fuel burning devices, and natural gas

or propane free standing fireplaces or inserts.

Contact the Division of Air Quality, Department of Environmental Quality, 150 N. 1950 W N Temple, SLC, UT 84114-4820; telephone (801) 536-4000 to obtain form TC-40F, certification, and for additional information.

**Line 16h – Historic Preservation Tax Credit  
(Utah Code Ann. Section 59-7-609)**

Complete and attach form TC-40H, "Historic Preservation Tax Credit" with the State Historic Preservation Office certification, verifying the credit has been approved.

This is a credit for costs incurred in connection with qualified rehabilitation of any residential certified historic building. Unused credits may be carried forward five years as a credit against Utah tax due.

Contact the State Historic Preservation Office, 300 Rio Grande, SLC, UT 84101; telephone (801) 533-3563 to obtain form TC-40H, certification, and for additional information.

**Line 16i – Low Income Housing Tax Credit  
(Utah Code Ann. Section 59-7-607)**

Complete and attach forms TC-40TCAC, "Utah Low-Income Housing Tax Credit Allocation Certification," and TC-40LI, "Summary of Utah Low-Income Housing Tax Credit," to your return. If you are carrying this credit forward or backward, you must also attach form TC-40LIC, "Utah Low-Income Housing Tax Credit Carryback and/or Carryforward," to your return.

This credit is an amount determined by the Utah Housing Finance Agency, for any housing sponsor that has received an allocation of the federal low-income housing tax credit and any applicant for an allocation of the federal low-income housing tax credit. Unused credits may be carried back three years or carried forward five years.

Contact the Utah Housing Finance Agency, 177 E 100 S, SLC, UT, telephone (801) 521-6950 to obtain forms, certification and for additional information.

**Line 16j – Credit for Employers Who Hire  
Disabled (Utah Code Ann. Section 59-7-608)**

Complete and attach form TC-40HD, "Tax Credit for Employers Who Hire Persons with Disabilities," showing certification.

The credit is for employers hiring individuals with disabilities who:

1. worked in this state for at least 6 months in a taxable year for that employer; and
2. is paid at least minimum wage by that employer.

Individuals with disabilities are defined as individuals who:

1. have been receiving services from a day-training program for persons with disabilities, which is certified by the Department of Human Ser-

VICES as a qualifying program for at least six consecutive months prior to working for the employer claiming the tax credit; or

2. are eligible for services from the Division of Services for People with Disabilities at the time the individuals begin working for the employer claiming the tax credit.

Contact the Utah Department of Human Services, Division of Services for People with Disabilities, 120 N 200 W, Room 411, SLC, UT 84103, telephone (801) 538-4200 to obtain form TC-40HD, certification and for additional information.

**Line 16k – Recycling Market Development Zone Tax Credit (Utah Code Ann. Section 59-7-610)**

Attach the completed form TC-40R, "Recycling Market Development Zone Tax Credit" with the Department of Community and Economic Development certification, verifying the credit has been approved.

For tax years beginning January 1, 1996 and ending December 31, 2000, the Utah Legislature has authorized credit to individuals in a recycling market development zone as defined in Utah Code 9-2-1602.

Contact the Department of Community and Economic Development, 324 S. State Street, Suite 500, SLC, UT 84111, (801) 538-8804 to obtain form TC-40R, certification, and for additional information.

**Line 16l – Renewable Energy Systems Tax Credit**  
Attach form TC-40E, "Renewable Energy Systems Tax Credit" with the Office of Energy and Resource Planning stamp, verifying the credit has been approved.

To qualify for the energy tax credit, you must have installed or upgraded a renewable energy system during the tax period.

To determine if your system or system components and installation qualify for the tax credit, you must submit a written application, complete with signatures and photocopies of receipts, to the Utah Office of Energy and Resource Planning (OERP). Application forms can be obtained from the Utah Office of Energy and Resource Planning, 1594 W N Temple, Suite 3610, Box 146480, SLC, UT 84114-6480, telephone (801) 538-5428. If it is determined that your system meets the eligibility requirements, OERP will send you a TC-40E form, with information on your eligible system and installation costs and the OERP stamp of approval for you to complete and submit with your taxes.

**Line 17 – Net Tax**

Subtract line 16 from line 15 (cannot be less than minimum tax per corporation).

**Line 18 – Refundable Credits**

Add lines 18a through 18c.

**Line 18a – Mineral Production Withholding Credit (R865-14W-1)**

There is no form for this credit. Make sure you keep any documentation to support this credit.

Enter the total of the mineral production tax withheld as shown on forms TC-675R or federal schedule K-1(s) for 1998. Be sure to attach copies of form TC-675R or K-1 to the return to receive proper credit. (Include with other W-2 and 1099 forms.)

**Line 18b – Credit for Agricultural Off-Highway Gasoline and Undyed Diesel Tax (Utah Code Ann. Section 59-13-202)**

Attach federal form 1040 Schedule F. There is no state form for this credit. Make sure you keep all personal records, forms, and worksheets to support this credit.

This is a 24.5 cents per gallon credit only for motor fuel and undyed diesel fuel purchased *in Utah* to operate stationary farm machinery used solely for commercial nonhighway agricultural use that was taxed at the time of purchase. Activities that **DO NOT** qualify for this credit include, but are not limited to, the following: Golf courses, horse racing, boat operations, highway seeding, vehicles registered for highway use, hobbies, farming for personal use, etc.

Multiply your total gallons eligible for the credit by .245 and enter the gallon and credit amount on line 18b of your state return.

**Line 18c – Total Prepayments**

A refundable credit is allowed for advance payments made as quarterly prepayments and extension payments (form TC-559). Also include any overpayments from a prior year applied to this year. See Schedule E.

**Line 19 – Amended Returns Only (Previous Payments Less Previous Refunds)**

This line should only be used for amended returns. When filing an amended return, enter the amount of tax paid with the original return and/or subsequent payments of the tax prior to filing this amended return less any previous refunds (exclude refund interest).

**Line 20 – Total Refundable Credits**

Add lines 18 and 19 (if applicable).

**Line 21 – Overpayment**

If line 20 is larger than line 17, subtract line 17 from line 20.

**Line 22 – Overpayment to be Applied to Next Taxable Year**

As a convenience to refund filers, all or part of a refund may be applied as an advance payment for the next tax year. Enter amount to be applied (must be less than or equal to refund).

**Line 23 – Refund**

Subtract line 22 from line 21, and enter the amount here and on Form TC-20, line 8.

**Line 24 – Total Tax Due**

If amount on line 17 is larger than line 20, subtract line 20 from line 17 and enter the amount here and on Form TC-20, line 9.

**Line 25 – Quarterly Estimated Prepayments Meeting Exception**

Check boxes corresponding to the four quarterly prepayments for those quarters in which exceptions to the penalty exists. Refer to "Prepayment Requirements" in the general instructions for exceptions to penalty on estimated prepayments. Attach supporting documentation.

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## Instructions for Schedule B – Additions to Unadjusted Income

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**Line 1 – Interest From State Obligations**

Interest from bonds, notes, and other evidences of indebtedness issued by any state of the United States, including any agency and instrumentality of a state of the United States.

*In lines 2a - 2e, the following taxes must be added back if they were originally deducted to determine unadjusted income.*

*Amounts included in federal taxable income from refunds of the following taxes should be netted against similar taxes on the appropriate lines.*

**Line 2a – Income Taxes Paid to Any State**

Add taxes imposed by any state that are measured by income.

**Line 2b – Franchise or Privilege Taxes Paid to Any State**

Add franchise taxes paid by a corporation to any state for taxes imposed for the privilege of doing business or exercising its corporate franchise.

**Line 2c – Corporate Stock Taxes Paid to Any State**

Add corporate stock taxes paid to any state.

**Line 2d – Foreign Taxes Paid**

Add any income, franchise, or capital stock taxes imposed by a foreign country, a United States possession, or the Commonwealth of Puerto Rico.

**Line 2e – Business and Occupation Taxes**

Add business and occupation taxes deducted for federal purposes.

**Line 3 – Safe Harbor Lease (SHL) Adjustments**

Reverse the effects of SHL adjustments. SHLs originated from adjustments primarily available to businesses during the years 1981 and 1982 under ERTA. These provisions allowed transfers of certain tax benefits for federal tax purposes. However, Utah did not adopt these provisions and the effects of any remaining SHL adjustments must be reversed for Utah purposes.

**SHL Purchaser/Lessor**

Additions to income:

- (1) interest expense
- (2) depreciation claimed on SHL property

**SHL Seller/Lessee**

Additions to income:

- (1) amount of gain on the sale of federal tax benefits
- (2) rental expense on SHL property

**Line 4 – Capital Loss Carryover**

Add capital losses that were deducted on a Utah corporate return in previous years, but are used to offset capital gains on this year's federal return.

**Line 5(a) – Contributions to Qualified Sheltered Workshops**

Enter the amount of contributions claimed as a Utah tax credit on Schedule A, line 16a. Utah statute precludes a deduction for this item when a Utah credit is being claimed.

**Line 5(b) – Contributions for High Technology Equipment**

Enter the amount of contributions claimed as a Utah tax credit on Schedule A, line 16b. The Utah statute precludes a deduction for this item when a Utah credit is being claimed.

**Line 6 – Deductions Taken Previously on the Utah Return**

Include any deduction on the federal return that has been previously deducted on the Utah return.

**Line 7 – Federal Charitable Contributions**

Add federal charitable contributions from federal form 1120, line 19.

**Line 8 – Gain/Loss on Section 338(h)(10) or 336(e)**

Add the amount of gain or loss determined under Utah Code Ann. Section 59-7-114(3) relating to a target corporation under Section 338, Internal Revenue Code, if that gain or loss has not been included in unadjusted income; and the amount of gain or loss determined under Utah Code Ann. Section 59-7-115 relating to corporations treated for federal purposes as having disposed of its assets under Section 336(e), Internal Revenue Code, if that gain or loss has not been included in unadjusted income.

The purpose of this addition is to make sure that the gain or loss on IRC 338(h)(10) and 336(e) transactions are treated similarly for Utah and federal purposes as a deemed sale of assets. The gain or loss is only added if it has not already been included in unadjusted income.

**Line 9 – Basis Adjustments**

Utah laws generally follow the Internal Revenue Code for depreciation, amortization, and basis. However, basis differences occasionally arise due to differences between state and federal laws in limited instances. Some examples of such instances may include: a) an IRC 338 election in a tax year beginning prior to January 1, 1994; b) adjustments attributed to the federal consolidated rules under IRC 1502. A company may not deduct basis differences generated by errors in prior returns in years when Utah and federal depreciation or amortization amounts are required to be the same.

**Line 10 – Expenses Attributable to 50 percent Unitary Foreign Dividend Exclusion**

Add the expenses directly and indirectly attributable

to the dividends from subsidiaries excluded on TC-20, Schedule C, line 7 (i.e., 50 percent of the unitary foreign dividends). Indirect interest expense attributable to excluded dividends is determined by multiplying total interest expense by a fraction, the numerator of which is the taxpayer's average investment in dividend paying subsidiaries, and the denominator of which is the taxpayer's average investment in total assets.

**Line 11 – Installment Sales Income Previously Taxed for Federal But Not for Utah Purposes**

Add installment sales income from installment sales made in tax years beginning before January 1, 1994 if the Utah installment sales provisions were followed under former Utah Code Ann. Section 59-7-119. If the Utah installment provisions were used on the Utah return, then a timing difference was created between federal and Utah purposes.

**Line 12 – Refund Received from Utah Educational Savings Plan (UESP)**

The participant in the Utah Educational Savings Plan should receive a "Statement of Withholding For Utah Educational Savings Plan," form TC-675H, from the trustee of the Utah Educational Savings Plan Trust. Include on this line the amount on line 1 from form TC-675H. Attach a copy of form TC-675H to the return. If you have any questions about UESP, call 1-800-418-2551.

**Line 13 – Income/Loss From IRC Section 936 Corporations**

IRC Section 936 corporations are fully includable in the combined report. Add income/loss from IRC Section 936 corporations.

**Line 14 – Foreign Income/Loss For "Worldwide" Combined Filers**

Corporations electing to file a worldwide combined report must include income/loss of each corporation in the unitary group regardless of the country in which the corporations are incorporated or conduct business. Add income/loss before extraordinary items and prior period adjustments and before the provision for income, war profits, and excess profits taxes as reported on federal form 5471 for foreign corporations.

**Line 15 – Income/Loss of Unitary Corporations Not Included On The Federal Consolidated Return**

Add income/loss of unitary corporations owned greater than 50 percent whose income/loss is not included on the federal consolidated return. Please refer to "Combined Reports", in the general instructions for additional information on unitary combined filings.

**Line 16 – Total Additions**

Add lines 1 through 15 and enter the result on this line and on Schedule A, line 2.

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## Instructions for Schedule C – Subtractions for Unadjusted Income

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### Line 1 – Intercompany Dividend Elimination

Deduct dividends received from U.S. corporations owned greater than 50 percent whose income is included on this return and whose dividend has not been previously eliminated.

### Line 2 – Foreign Dividend Gross-up

Deduct the foreign dividend gross-up included in gross income for federal income tax purposes under IRC Section 78.

### Line 3 – Net Capital Loss

The corporation must include its capital losses on this line if an election is being made to take a deduction for capital losses incurred in the taxable year. If a current year deduction is not taken, the loss must be carried forward as provided in IRC 1212(a)(1)(B) and (C).

### Line 4(a) – Federal Jobs Credit

Deduct the amount of salary expense reduction due to claiming the federal jobs credit under IRC 51.

### Line 4(b) – Research and Development

Deduct qualified research and basic research expense reduction due to claiming the research and development credit under Section 41, Internal Revenue Code.

### Line 4(c) – Clinical Testing Expense

Deduct qualified clinical testing expense reduction due to claiming the federal orphan drug credit under Section 28, Internal Revenue Code.

### Line 4(d) – Other Federal Credits

Subtract expense reduction attributable to claiming any other federal credit.

### Line 5 – Safe Harbor Lease (SHL) Adjustments

For general SHL information, see the instructions for Schedule B, line 3.

#### SHL Purchaser/Lessor

Subtractions from income:

- (1) rental income
- (2) amortization of the purchase price of tax benefits (purchase price of tax benefits must be capitalized)

#### SHL Seller/Lessee

Subtractions from income:

- (1) interest income
- (2) depreciation on SHL property

### Line 6 – Income Previously Taxed

Subtract any income on the federal corporate return, form 1120 or 1120-A, that has been previously

taxed by Utah. Attach supporting schedules and documentation.

### Line 7 – 50 percent Exclusion for Dividends From Unitary Foreign Subsidiaries

Deduct 50 percent of the dividends deemed received or received from subsidiaries that are members of the unitary group and are organized or incorporated outside of the United States, unless those subsidiaries are included in a combined report. In that case, the dividends are eliminated as an intercompany transaction.

For corporations filing a water's edge combined report, the 50 percent exclusion includes dividends from unitary foreign corporations, foreign sales corporations, and subpart F income.

### Line 8 – 50 percent Exclusion of “Foreign Operating Company” Income\Loss

Deduct 50 percent of the adjusted income\loss of a foreign operating company unless the taxpayer is filing a worldwide combined report. A foreign operating company is a corporation (other than an IRC Section 936 corporation) incorporated in the United States with 80 percent or more of its business activity, based on the average of the property and payroll factors, conducted outside the United States.

In calculating this subtraction, no deduction is allowable for foreign taxes.

### Line 9 – Gain or Loss on Certain Stock Sales

Subtract the gain or loss on the sales of stock included in unadjusted income, yet not taxable for federal purposes because the transaction is considered to be a deemed sale of assets under IRC Sections 338(h)(10) or 336(e).

The purpose of this subtraction is to avoid the double taxation that will occur if both the gain on the stock sale and the gain on the deemed sale of assets were included in income. The Utah law follows the federal statute that taxes the gain on the deemed sale of assets.

### Line 10 – Basis Adjustments

Include adjustments to gains, losses, depreciation expense, amortization expense, and similar items due to a difference between basis for federal and Utah purposes as explained in instructions for Schedule B, line 9, page 11.

### Line 11 – Interest Expense

Deduct interest expense not deducted on the federal corporate return under Sections 265(b) or 291(e), Internal Revenue Code.

### Line 12 – Dividends From Insurance Company Subsidiaries

Deduct dividends received from subsidiaries owned greater than 50 percent that are insurance companies taxed on their Utah premiums.

**Line 13 – Payments Made to the Utah Educational Savings Plan**

The participant in the Utah Educational Savings Plan should receive a "Statement of Withholding For Utah Educational Savings Plan," form TC-675H, from the trustee of the Utah Educational Savings Plan Trust. Include on this line the amount on line 1 from form TC-675H. Attach a copy of form TC-675H to the return. If you have any questions about UESP, call 1-800-418-2551.

**Line 14 – Total Subtractions**

Add lines 1 through 13. Enter the amount on line 14 and on Schedule A, line 3.

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## Instructions for Schedule D – Utah Contributions Deduction

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Compute deduction for Utah contributions (Utah Code Ann. Section 59-7-109(2)).

**Line 1 – Apportionable Income Before Contributions Deduction**

Enter amount indicated on Schedule A, line 6.

**Line 2 – Utah Contribution Limitation Percentage**  
Percentage rate according to Utah Code Ann. Section 59-7-109(2) is preprinted on this line.

**Line 3 – Utah Contribution Limitation**

Multiply line 1 by line 2 and enter limitation amount here. If line 1 is a loss, then no contributions deduction is allowed.

**Line 4 – Current Year Contribution**

Enter contributions for the current year.

**Line 5 – Contribution Carryforward**

Any charitable contributions made in a taxable year beginning on or after January 1, 1994, which are in excess of the amount allowed as a deduction for Utah purposes, may be carried forward to the 5 succeeding taxable years in the same manner as allowed under federal law. Attach a schedule showing contributions made in taxable years beginning on or after January 1, 1994 that exceed the Utah contribution limitation, have not been previously carried forward, and are available to be carried forward to the current year.

**Line 6 – Total Contributions Available**

Add line 4 and line 5.

**Line 7 – Utah Allowed Contributions Deduction**

Enter the lesser of line 3 or line 6 here and on Schedule A, line 7.

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## Instructions for Schedule H – Nonbusiness Income Schedule

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Determine nonbusiness income allocated to Utah and outside Utah by completing this schedule. All income that arises from the conduct of the trade or business operations of a corporation is business income.

Nonbusiness income means all income other than business income and will be narrowly construed. Intangible income must be properly classified and based upon factual evidence. The burden of proof is on the corporation to justify the manner in which the income is claimed on the return.

Interest income is business income where the intangible with respect to which the interest was received arises out of or was created in the regular course of the taxpayer's trade or business operations. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(c))

Dividends are business income where the stock with respect to which the dividends are received arises out of or was acquired in the regular course of the taxpayer's trade or business operations. Because of the regularity with which most corporate taxpayers engage in investment activities, income arising from the ownership, sale or other disposition of investments is presumptively business income. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(d))

Gain or loss from the sale, exchange, or other disposition of real or tangible or intangible personal property constitutes business income if the property while owned by the taxpayer was used in the taxpayer's trade or business. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(b))

Rental income from real and tangible property is business income if the property with respect to which the rental income was received is used in the taxpayer's trade or business or includable in the property factor. (Reference: Utah Administrative Rule R865-6F-8(A)(3)(a))

If the corporation is claiming only Utah nonbusiness income, lines 1a through 13 must be completed. If the corporation is claiming only non-Utah nonbusiness income, lines 14a through 26 must be completed. If the corporation is claiming both Utah and non-Utah nonbusiness income, lines 1a through 26 must be completed. Use additional pages if necessary to provide complete information including a description of the business purpose for making the investment, the transactions creating the non-business income, and the use of revenues generated by the non-business investment.

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## Utah Nonbusiness Income

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### Lines 1(a)-(d) – Utah Nonbusiness Income

Complete each column with the information required and show the gross nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

### Line 2 – Total Utah Nonbusiness Income

Add lines 1(a) through 1(d).

### Lines 3(a)-(d) – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income is listed on lines 1a-d. Direct related expenses include wages, interest, depreciation, etc. (Reference: Utah Code Ann. Section 59-7-101(19))

### Line 4 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 3(a) through 3(d).

### Line 5 – Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 4 from line 2.

### Line 6 – Beginning of Year Assets

Enter the beginning of year value of assets used to produce Utah nonbusiness income in column A. Enter the beginning of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

### Line 7 – End of Year Assets

Enter the end of year value of assets used to produce Utah nonbusiness income in column A. Enter the end of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

### Line 8 – Sum of Beginning and End of Year Assets Values

Add lines 6 and 7 for each respective column.

### Line 9 – Average Asset Values

Line 8 divided by 2 for each column.

### Line 10 – Average Assets Used to Produce Utah Nonbusiness Income

Line 9, column A divided by line 9, column B.

### Line 11 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

### Line 12 – Indirect Related Expenses for Utah Nonbusiness Income

Multiply line 10 by line 11.

### Line 13 – Total Utah Nonbusiness Income Net of Expenses

Subtract line 12 from line 5. Enter amount here and on Schedule A, line 5(a).



## Non-Utah Nonbusiness Income

### Lines 14a-d – Non-Utah Nonbusiness Income

Complete each column with the information required and show the gross nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

### Line 15 – Total Non-Utah Nonbusiness Income

Add lines 14a through 14d.

### Lines 16a-d – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income is listed on lines 14a-d. Direct related expenses include wages, interest, depreciation, etc. (Reference: Utah Code Ann. Section 59-7-101(19))

### Line 17 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 16a through 16d.

### Line 18 – Non-Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 17 from line 15.

### Line 19 – Beginning of Year Assets

Enter the beginning of year value of total assets used to produce non-Utah nonbusiness income in column A. Enter the beginning of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

### Line 20 – End of Year Assets

Enter the end of year value of total assets used to produce non-Utah nonbusiness income in column A. Enter the end of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

### Line 21 – Sum of Beginning and End of Year Assets Values

Add lines 19 and 20 for each respective column.

### Line 22 – Average Asset Values

Line 21 divided by 2 for each column.

### Line 23 – Average Assets Used to Produce Non-Utah Nonbusiness Income

Line 22, column A divided by line 22, column B.

### Line 24 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

### Line 25 – Indirect Related Expenses for Non-Utah Nonbusiness Income

Multiply line 23 by line 24.

### Line 26 – Total Non-Utah Nonbusiness Income Net of Expenses

Subtract line 25 from line 18. Enter amount here and on Schedule A, line 5b.

## Instructions for Schedule J – Apportionment Schedule

Determine apportionment fraction by completing this schedule. The factors express a percent for tangible property in Utah, for wages and salaries in Utah, and for sales in Utah. These factors are to be added together and divided by the number of factors present (typically 3) to arrive at the Utah apportionment fraction calculated to **six decimals**. This fraction is to be applied to the apportionable income (or loss) to arrive at the amount of income (or loss) apportioned to Utah. In cases where one or more of the factors is omitted due to peculiar aspects of the business operations, the corporation should divide by the number of factors present.

Income or loss from partnership or joint venture interests shall be included in income and apportioned to Utah through application of the three-factor formula consisting of property, payroll, and sales.

For apportionment purposes, the portion of partnership or joint venture property, payroll, and sales to be included in the corporation's property, payroll, and sales factors shall be computed on the basis of the corporation's ownership interest in the partnership or joint venture.

Briefly describe the nature and location(s) of your Utah business activities in the space provided at the top of this schedule.

### Lines 1(a)-(e) – Tangible Property

Show the average cost value during the taxable year of real and tangible personal property used in the business within the state (including leased property) in column A; and overall (including Utah) in column B.

Property owned by the corporation is valued at its original cost. Property rented by the corporation is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the corporation less the annual rate received by the corporation from subrentals.

The average value of property shall be determined by averaging the cost values at the beginning and end of the tax period. However, monthly values may be used or required if monthly averaging more clearly reflects the average value of the corporation's property.

A supporting schedule should be attached whenever monthly averaging is used.

### Line 2 – Total Tangible Property

Enter totals of lines 1(a)-(e) in the respective columns.

### Line 2a – Property Fraction

Determine property fraction: column A, line 2 divided by column B, line 2.

**Line 3 – Wages, Salaries, Commissions, and Other Includable Compensation**

Wages, salaries, commissions, and other includable compensation paid to employees for personal services must be included in the Utah factor to the extent that the services, for which the compensation was paid, were rendered in Utah.

Compensation is paid in the state if:

1. the individual's service is performed entirely within the state;
2. the individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or
3. some of the service is performed in the state and:
  - a. the base of operations or, if there is no base of operation, the place where the service is directed or controlled is within the state, or
  - b. the base of operations or the place where the service is directed or controlled is not in any state where some part of the service is performed, but the individual's residence is in this state.

Amounts reportable for employment security purposes may ordinarily be used to determine the wage factor.

**Line 3(a) – Wages Fraction**

Determine wage fraction: column A, line 3 divided by column B, line 3. Overall wages, including Utah, are listed in column B.

**Lines 4(a)-(e) – Gross Receipts From Business**

The sales factor is the percentage the sales or charges for services within the state for the taxable year bear to the overall sales for the taxable year. Gross receipts from the performance of services are in this state to the extent the services are performed in this state.

Sales of tangible personal property are in this state if the property is delivered or shipped to a purchaser within this state regardless of the F.O.B. point or other conditions of the sale, or if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and: (1) the purchaser is the United States Government, or (2) the corporation is not taxable in the state of the purchaser.

**Nexus:** The jurisdictional link that must be present before a state may tax a corporation upon its activities within a state's borders.

**Note:** Exception to the above method for securities brokerage businesses can be found in the Utah Code Ann. Section 59-7-319(3).

**Line 5 – Total Sales and Service**

Enter totals of lines 4(a)-(e) in their respective columns.

**Line 5(a) – Sales Fraction**

Determine sales fraction: column A, line 5 divided by column B, line 5. Overall sales, including Utah, are listed in column B.

**Line 6 – Total Fraction**

Enter total of lines 2(a), 3(a) and 5(a).

**Line 7 – Apportionment Fraction**

Calculate the apportionment fraction to **six decimals**: Line 6 divided by the number of factors used (typically 3 - property, wages and sales). If one or more of the factors are not present (i.e., there is a zero represented on lines 2, 3, or 5 in column B), divide by the number of factors present. Enter apportionment fraction here and on Schedule A, line 9.

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**Financial Institutions Apportionment**

Financial institutions are now subject to special apportionment provisions outlined in Utah Administrative Rule R865-6F-32. These provisions primarily deal with the situsing of financial institution gross receipts and an election that must be made to either include or exclude certain intangible property in the property factor of the apportionment formula. A copy of this rule can be obtained from the Tax Commission's web site, at [www.tax.ex.state.ut.us](http://www.tax.ex.state.ut.us).

Financial institutions must make an initial election to either include or exclude certain intangible property in the property factor and may do so by including a document making the election with their corporation franchise tax return for the tax year beginning in 1998. Values of intangibles allowable under this rule should be included on Schedule J, line 1(e). Once the election to either include or exclude certain intangible property is made, Tax Commission approval is required to change it based on a substantial ownership change (for the first three years after the initial election) or a significant change in circumstances (thereafter).

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**Telecommunication Corporations Apportionment**

Telecommunication corporations are now subject to special apportionment provisions outlined in Utah Administrative Rule R865-6F-33. The rule provides guidelines for situsing sales and receipts and a special provision dealing with outerjurisdictional property. A copy of this rule can be obtained from the Tax Commission's website, at [www.tax.ex.state.ut.us](http://www.tax.ex.state.ut.us).